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SUBJECT: PM FICO RIDING HIGH...SO, WHAT AILS HIM?

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Classified By: Ambassador Vincent Obsitnik, for reasons 1.4 b and d.

¶1. (C) Summary. By most measures, Robert Fico has enjoyed great success in his two years as Slovakia's Prime Minister. Buoyed by economic statistics that are the envy of his regional counterparts, Fico's popularity is extraordinarily high among voters (ranging between 42-48 percent). Unemployment is falling and polls indicate that a majority of Slovaks are optimistic about the future. His government claims credit not only for the robust economic growth that his reform-minded predecessor fostered, but also for Slovakia's entry into the Schengen zone and, soon, into the Eurozone. On the domestic political front, Fico emerged victorious last fall from a nasty public fight with his junior coalition partner Vladimir Meciar. Occasional disagreements among the coalition are settled to Fico's satisfaction because neither HZDS nor SNS wants to lose the benefits of coalition membership. Meanwhile, an opposition that is riven by both inter and intra-party divisions poses no threat to Fico's popularity or legislative dominance. Despite these objective measures of success, Fico appears to derive little joy from the power he wields. His aggressiveness toward his perceived foes (media, opposition, NGOs and critics) is matched by an almost absurdly thin skin. Fico's agenda is a populist one, characterized by (seemingly) bold legislation, e.g., on price controls and small-scale, voter-friendly pork, such as new playgrounds and Christmas bonuses for retirees.

¶2. (C) According to the polls, this domestic-focused approach appeals to almost every category of voters, most of whom, like Fico himself, hold a rather narrow view of the appropriate scope of Slovakia's international engagement. Playing to the voters (rather than leading them), Fico has publicly stated that Slovak soldiers deployed to Afghanistan must not be placed in harm's way. Fico wants to strengthen the "economic dimension" of Slovak diplomacy, as well as Slovakia's ties to Russia. While Fico's policies are popular, some potential clouds are gathering on the horizon. The Slovak Business Alliance, Transparency International and INEKO (all admittedly close to the political opposition here) have recently offered critical analyses of the investment climate, the government's progress in the fight against corruption and its efforts to strengthen the rule of law. Fico's unwillingness to address the real issues at hand in the recent scandals involving Finance Minister Pociatek and Justice Minister Harabin, nor the unseemliness of his coalition partners' rhetoric, suggest a degree of hubris and disregard for truth and probity, that may, over time, have negative consequences. That said, the opposition is still not gaining traction. His political and economic inclination

toward Moscow could bring short and medium-term price benefits, but ultimately undermine Slovakia's energy independence and cause rifts with European partners (over Kosovo and missile defense, for example). For now, however, Robert Fico is riding high and across the political spectrum the question is not who will win the 2010 elections, but who will have the privilege of joining Smer in the winner's seat.

End summary.

Timing is Everything

3.(C) Through no virtue or programs of his own -- but a recognition that he must avoid large-scale changes to existing policies -- Robert Fico's first two years in office have been blessed by an economy that is growing currently at a rate of 8.7 percent annually and falling unemployment (down to 7.4 percent in April). Foreign investment remains robust (a recent survey by Embassy Bratislava indicates that U.S. investment alone is almost 4 billion USD), but is undergoing a natural slowing as wages rise and labor becomes scarcer. Wages are up, as is the standard of living for most Slovaks. The generally favorable economic climate has contributed to a sense of well-being among the Slovaks, who after the difficult years of transition (the dark days of Meciar, and the sacrifices demanded by Dzurinda's march to EU membership), are content to savor hard-earned and sometimes unexpected achievements. Slovakia's economic growth outstrips that of both the Czech Republic and Hungary, and it alone among the Visegrad Four will join the Eurozone in January 2009. It's sweet victory for the "poor" half of the former Czechoslovakia, about which a Czech journalist commented in 1993: "When the split came, the Czechs got rid of the bad parts. We got rid of the old weapons factories...unemployment...and the old Soviet frontier. We got rid of all our problems and gave them to the Slovaks."

¶4. (C) But just as Fico wasn't the key player in terms of readying Slovakia for the Euro (though his government did pursue the aim with vigor -- as it did Schengen border controls -- and should rightly be credited), it's questionable that Fico can play a decisive role in managing the potential economic implications of the Euro introduction.

In light of global inflationary trends and rising food and oil prices, Fico's stern admonitions against price speculation and legislation regarding price controls are savvy public relations, but it remains to be seen to what extent -- and with what longer-term effects -- the government can regulate the prices of basic goods. For Slovaks, entry into the Schengen zone was widely viewed as a win-win situation. Because of concerns about inflation, Eurozone entry has attracted more skepticism and has been widely seen both by the Prime Minister himself, and his opposition, as a double-edged sword that could have a negative impact on the PM's popularity. Fico still has one great asset: the quiescence of the Slovak public.

¶5. (C) Slovakia, according to recent surveys, remains a desirable destination for investors. Ernst and Young recently ranked Slovakia second in Central and Eastern Europe in terms of ratio of foreign investment/per million citizens.

In conjunction with the nod for Eurozone entry, the Fitch agency upgraded Slovakia's foreign currency rating from "A" to "A plus." But, there are potential clouds on the horizon.

On July 10, Standard and Poors announced that it would not upgrade Slovakia's credit rating due to a lack of transparency in GOS economic policies. With cheaper and more abundant labor available further east -- and already documented labor shortages here -- Slovakia needs to better train and educate its workforce and improve the climate for investors (the 2008 Investment Incentives Act was a good step). The Slovak Business Alliance, in a June 26 press conference, cautioned that the government's policies were jeopardizing long-term sustainable economic growth. The Business Alliance cited, in particular, major problems with law enforcement, high social contribution rates, a new, more rigid labor code, and legal uncertainties for investors in

the energy, healthcare, and pension sectors, stemming for legislative changes. The areas in which the Business Alliance positively evaluated the government's actions, e.g., in terms of macroeconomic stability and Euro adoption, tended to be those that represented a continuation of previous policy.

Dominating Partners, Crushing Rivals

¶ 6. (C) The crisis (ref a) that roiled the coalition last November confirmed Fico's unquestionable dominance over his junior partners, HZDS and SNS. While there have been some minor skirmishes, e.g., over the Slovak Land Fund (the scandal over which led to the November crisis and firing of Agriculture Minister Jurena) and oversight of Eurofunds, relations have been calm, at least on the surface. A certain tenuousness pervades, nonetheless. Perhaps that's why Meciar and Slota felt the need to ask Fico recently whether he was angling for early elections. Fico reassured his coalition partners that he was not, and stated publicly on July 16, that "if things keep going this way, we may look at recreating this coalition." Fico has said more than once, however, that he would like the next governing coalition to consist of two, not three parties. He told Ambassador Obsitnik this in December, suggesting that he would jettison Jan Slota's SNS. This would make sense from many standpoints, and would open the way for Fico to team up with a more universally acceptable party, including perhaps one of the opposition parties. (If he needs a non-HZDS, non-SNS partner, the ethnic Hungarian SMK would be happy to oblige.) However, as the Prime Minister's Foreign Affairs advisor, Marek Estok, recently told the DCM, Meciar's HZDS remains a greater challenge to Fico than SNS, which is "only focused on making money."

¶ 7. (C) Although it remains to be seen which party will be asked to join a Smer-led coalition in 2010, Fico's victory is accepted wisdom across the Slovak political spectrum (comment: further testimony to the lamentable state of the opposition). Recent polls indicate that were elections to be held now, Smer would earn enough votes to govern alone. On the other hand, the dominant opposition party, SDKU, has seen its numbers slip below 10 percent in the latest poll. Some within the party despair of Mikulas Dzurinda's refusal to relinquish power, because they know that no matter what strategies the party employs, it cannot rebound with such an unpopular figure at the helm. Dzurinda consistently polls as one of the least trusted of Slovak politicians. It's hard to imagine at this point that SDKU, or any opposition party for that matter, could succeed in making a significant dent in Fico's popularity. As one commentator recently noted, "the Prime Minister understands that it takes little to be successful in politics: you have to keep your hands clean (at least outwardly), pursue popular policies (at least for the sake of appearances, and punish thievery (or at least pretend to do so)." Fico checks each box and has been amply rewarded in the polls. Given his success, it's surprising how sharply focused Fico is on his perceived foes and to what lengths -- practically and rhetorically -- he seems willing to go to discredit them.

Relentless...and Joyless

¶ 8. (C) It's also surprising that Fico appears to derive little pleasure from the achievements he claims or from his record-breaking popularity. Instead of basking in his success, Fico appears to be genuinely bothered by any criticism and compelled to respond. This instinct was the driving force behind Slovakia's widely criticized new press law and seemed to inform the approach to draft legislation that, had it been passed, would have put most NGOs out of business. The language Fico uses in his relentless campaign against the media and the opposition is often reminiscent of communist era politicians, or, to cite a more contemporary

example, Alexander Lukashenko. Fico routinely accuses the media of lying, and has referred to reporters as "prostitutes," "hyenas" and "slimy snakes." In an editorial defense of Justice Minister Harabin, Fico lay the blame for the scandal on the daily Sme's doorstep, saying the media, through its criticism of the government had become a "direct participant in the political struggle." Similarly, he has repeatedly referred to opposition politicians as "criminals" and "thieves," who should be grateful for parliamentary immunity. In response to Transparency International's June report on Slovakia, Fico's spokeswoman disparaged TI's director, Emilia Beblava (whose husband was Deputy Labor Minister in the Dzurinda government), "...it is obvious that her objective is not to solve the problem but to score political points for political parties close to her husband."

¶9. (C) In April, Fico lambasted the Institute for Public Affairs (IVO) for its critical evaluation of the Fico government. Using somewhat retrograde (Communist era) language, Fico denounced the main author of the report, IVO President Grigorij Meseznikov as a "self-appointed" political scientist, who was always against the government and the PM. In one of his oddest attacks, Fico, through his spokeswoman, berated the Slovak media for not having paid sufficient attention to the visit of Russian PM Zubkov. (Comment: it was hardly the most media-friendly visit. In the press conference following the bilateral meeting, reporters were not permitted to ask questions. End Comment.) Fico appears to have concluded that strong words and harsh rhetoric appeal to voters, because he doesn't spare even his own Ministers. After it was made public that Finance Minister Pociatek had visited the J&T financial group's yacht in Monaco just days before the revaluation of the Slovak Crown/Euro parity rate -- from which J & T earned millions from timely trading -- Fico said that if Pociatek erred again, he would "break his neck."

¶10. (C) Although Fico talked tough about Pociatek, he kept him on, summarily brushing off any suggestion of wrongdoing (vice bad judgment) on Pociatek's part. Curiously, Fico had no similarly harsh words for the Justice Minister, who has been shown to have lied about his ties to a man suspected by Swiss law enforcement to have been the head of an Albanian drug trafficking ring. Slovaks knowledgeable about the legal and law enforcement scene widely speculate -- and this has been echoed by individuals close to Fico -- that Harabin cannot be easily removed, because he is Meciar's insurance against prosecution. Fico's apparent willingness to sacrifice integrity and competence in a vital government sector to keep peace with Vladimir Meciar -- not to mention his virtual silence in the face of every outrageous comment and legislative initiative (e.g., to close the Nation's Memory Institute) made by Jan Slota -- suggests enormous cynicism or arrogance, or both. On July 22, Fico let it be known that Environment Minister Izak (SNS) was to be relieved of his responsibilities because of alleged unethical handling of the environmental fund. SNS Chairman Slota appeared to acquiesce readily to the Prime Minister's orders. As one analyst summed up the situation: In dismissing a weak and unknown minister, Fico was able, once again, to demonstrate both his complete control of the coalition and to convey to voters that he is strong on corruption. That is, the move cost Fico little, but earned him a good deal. Meanwhile, potentially more serious transgressions, e.g., in the cases of Pociatek and Harabin, go unpunished.

Looking Outward, Looking East

¶11. (C) When Robert Fico came into office, he declared that he would pursue a more "balanced" foreign policy than his pro-American predecessor, Mikulas Dzurinda. Among his campaign promises was a pledge to pull Slovak forces out of Iraq, about which he has spoken as an "adventure" that was motivated by U.S. desire to control Iraq's oil. Fico met in May 2007 with then-President Putin and emerged from that

meeting to denounce U.S. plans to install elements of a missile defense system in Poland and the Czech Republic. In his two years as Prime Minister, Fico has not, as far as we can recall, uttered a public word of praise or affirmation for U.S. foreign policy. With the notable exception of Afghanistan, whether it's Kosovo, missile defense, Iraq or Cuba -- Fico usually is explicitly or implicitly aligned against U.S. policy, and rarely misses an opportunity to take a gratuitous swipe at the U.S., and sometimes, by extension, the NATO Alliance. In March, days before the Bucharest Summit, Fico gave an interview on Czech television in which he compared the deployment of U.S. forces in conjunction with missile defense to Soviet occupation forces in Central Europe during the Cold War. PM Fico, in the end, acquiesced -- under strong pressure from both President Gasparovic and Foreign Minister Kubis -- in communique language that calls on NATO to develop, in conjunction with U.S. efforts, missile defense capabilities. Following a comment on the capture of Radovan Karadzic (ref b) Fico felt the need to add that: "I think it is equally needed to look at whether someone carries responsibility for the murders of large numbers of civilians in Serbia in the bombings."

12.(C) Fico's attitude to his Foreign Minister -- and to some extent foreign policy in general, and U.S. foreign policy, in particular -- were on display during his "inspection" day at the MFA (ref c), Fico was critical of the Ministry's stance on Kosovo and its occasional cooperation with the Slovak Foreign Policy Association (whose views are more closely aligned with the Dzurinda government). In his public comments, Fico cited a "certain loss of dynamism in our foreign policy," and urged the MFA to devote greater attention to the "economic dimension" of foreign policy. In a recent critique by the anti-Fico weekly Trend, political scientist Joseph Majchrak concluded that Fico's call for a stronger "economic dimension" in foreign policy was a bluff to camouflage his "sympathy toward Castro and Kaddafi," although Fico dipped into his discretionary fund to finance the re-opening of the Slovak Embassy in Hanoi, for legitimate commercial purposes. Majchrak also commented negatively on the quality and ties of some recent Ambassadorial nominations, including former SDL Chairman Josef Migas for Moscow. Migas, while serving as Speaker of the Parliament in 1999, reportedly helped facilitate a controversial debt relief deal with Moscow that benefited the Russians and private Slovak businessmen (friends of Migas), but brought no money to the Slovak state coffers.

¶13. (C) Given what we have been able to discern about Smer's approach to business, the climate may be ripe for more such sweetheart deals between Russian and Slovak interests. The volume of trade between Russia and Slovakia has increased by 20 percent since 2006 (though the lion's share of that figure is comprised of Russian energy exports) and there is a clear tilt toward enhanced cooperation in the fields of energy, transportation, and defense. During the May visit of Russian PM Zubkov (ref d), the two premiers discussed all facets of cooperation in the field of energy, as well specific projects in the transportation sector, e.g., construction of a wide-gauge railway linking Russia with Austria via Slovakia. Rumors that first surfaced in the Russian press shortly after Zubkov's visit, i.e., that the GOS might buy back its share of the Transpetrol pipeline only to sell it (or a portion) to the Russians, continue to circulate. Recently, a few government contacts have suggested this move is under active negotiation and FM Kubis (ref e) also acknowledged the possibility. Given Fico's clear desire for even closer ties to Moscow, we expect that the impact of the recent Russian cutback of oil to the Czech Republic, and the lesson of the Czech's early decision to diversify, thus enabling it to easily withstand the Russian move, will be minimal.

¶14. (C) Comment: Weak-to-inert or corrupt ministers; politicized bureaucracies plagued by low morale and lack of resources; a shortage of highly skilled labor; a crumbling health care system; nepotism and political favoritism in contracting. These are the real longer-term threats to Slovakia, not the unnamed forces whom Fico accused of

attempting to destabilize his government through the Hedviga Malinova case, nor a critical (and admittedly often unprofessional) press or opposition. We surmise that Fico, at least on some level, understands this. Perhaps that is one of the reasons that his enormous popularity seems not to have mellowed him at all. Maybe he knows that the circumstances that boosted him to such heights are hard to create and maintain, and that the populist or nationalist rhetoric and Christmas bonuses may keep him in power, but they won't move the country forward. One thing is for sure: Fico is a one-man show. He runs Smer, the government and the coalition. Even in a small country such as Slovakia, that's a significant load. Views of Fico and what makes him tick vary, but two recent assessments (taken together) struck us as on target. One Slovak politician who has known Fico as a student, a lawyer and a politician spoke about the unyielding ambition that has marked every facet of his career. He jokingly recounted that several MPs who used to play soccer with Fico said that none of his teammates ever wanted to pass him the ball, because he would never relinquish it. Another political operative described Fico as a figure who, while not avoiding the limelight -- or for that matter, the hard slog of politics -- had never had a great deal of responsibility before 2006. Now, he neither enjoys it, nor does his temperament allow him to share the burdens -- any more than he shared the ball. According to this observer, the business interests that financed Smer's ascent wouldn't let him quit, even if he wanted to, because without Fico, Smer wouldn't exist. Thus, Fico's recent comment to the effect that he would not serve as both party chairman and premier after the next elections lack credulity. Barring something exceptional, Fico should govern through 2014. The question is: will Slovakia show as much progress and promise in 2014 as it did in 2006?

OBSITNIK